



CHEMICAL BUSINESS CREDIT CORP.
Affiliate of Chemical Bank
55 Water Street, New York, NY 10087
Tel: (212) 952-820-5102

13063

RECORDATION NO. _____ Filed 1425

RECORDATION NO. _____ Filed 1425

13063-A

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INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION
April 21, 1981

Interstate Commerce Commission
Room 2303
Constitution Avenue at 12th Street, N.W.
Washington, D. C. 20023

Attention: Ms. Lee

Re: American Leasing Investors II

Dear Sirs:

Pursuant to Section 20c of the Interstate Commerce Act and the Commission's rules and regulations thereunder, as amended, I enclose herewith for filing and recordation three copies of each of the following documents:

- (1) Security Agreement dated April 21, 1981 between Chemical Business Credit Corp. and American Leasing Investors II.
- (2) Assignment dated April 20, 1981 between American Leasing Investors II and Chemical Business Credit Corp.

The names and addresses of the parties to the aforementioned documents are as follows:

(1) Security Agreement:

(a) Secured Party:

Chemical Business Credit Corp.
55 Water Street
New York, N. Y. 10041; and

(b) Debtor:

American Leasing Investors II
c/o Integrated Resources, Inc.
666 Third Avenue
New York, N. Y. 10017

1-112A076
No. _____
Date APR 22 1981
Fee \$ 50.00
ICC Washington, D. C.

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I.C.C.
FEE OPERATION BR.

C. Deane

(2) Assignment:

(a) Assignor:

American Leasing Investors II
c/o Integrated Resources, Inc.
666 Third Avenue
New York, N. Y. 10017

(b) Assignee:

Chemical Business Credit Corp.
55 Water Street
New York, N. Y. 10041

Pursuant to the Security Agreement, the Debtor has granted to the Secured Party a security interest in the following units of equipment and in certain other collateral described in the Security Agreement:

Fifteen (15) new 100-ton covered hopper cars having a capacity of 4,750 cubic feet, bearing Road Numbers Brax 260393 through 260395, 260391, 260396, 260398 through 260401, 260403, 260404, 260406 through 260409.

Pursuant to the Assignment, the Assignor has assigned to the Assignee the Assignor's right, title and interest in, to and under the Documents (as defined therein), including its security interest in the above described units of railroad equipment.

Please file and record the Security Agreement and the Assignment, assigning the Assignment the same recordation number as the Security Agreement, cross-indexing said documents one to the other, and to the lease documents submitted for filing under cover letter dated April 21, 1981 from Benjamin Jung, Esq. (American Leasing Investors II), and indexing said documents under the names of the Secured Party, the Assignee, the Debtor, and the certain lessees (Brae Corporation and Pillsbury Company) of the above described units of railroad equipment.

The enclosed documents are being presented for recordation concurrently with the presentation for recordation of certain other documents to which the Secured Party and the Assignee are also parties, and check is being presented for the aggregate fee for recording all such documents pursuant to 49 CFR 1116.1.

Please stamp all three copies of each of the two enclosed documents and the attached copy of this transmittal letter with your official recording stamp. You will wish to retain two copies

THE HISTORY OF THE
CITY OF NEW YORK

FROM THE FIRST SETTLEMENT
TO THE PRESENT TIME

BY
J. C. COOPER

THE HISTORY OF THE CITY OF NEW YORK, FROM THE FIRST SETTLEMENT TO THE PRESENT TIME, BY J. C. COOPER. THE HISTORY OF THE CITY OF NEW YORK, FROM THE FIRST SETTLEMENT TO THE PRESENT TIME, BY J. C. COOPER.

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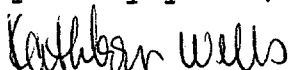
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of each of the two documents and the original of this transmittal letter for your files. It is requested that the one remaining copy of each of the two documents and of the transmittal letter be delivered to the bearer of this letter.

Very truly yours,


Kathleen M. Wells,
Assistant Manager

KMW:dd
encs.

Interstate Commerce Commission
Washington, D.C. 20423

4/22/81

OFFICE OF THE SECRETARY

Kathleen M. Wells
Assistant Manager
Chemical Business Credit Corp.
55 Water Street
New York, N.Y. 10087

Dear Ms. Wells:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/22/81 at 4:00pm, and assigned re-recording number(s). 13063 & 13063-A

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

RECORDATION NO. 13063
FILED 1425

APR 22 1981 - 4 02 PM
INTERSTATE
STATE COMMERCE COMMISSION

SECURITY AGREEMENT dated April 21, 1981 after called the "Agreement") between AMERICAN LEASING INVESTORS II, a California limited partnership (hereinafter called the "Debtor"), and CHEMICAL BUSINESS CREDIT CORP., a Delaware corporation (hereinafter called the "Secured Party").

The Debtor has requested that the Security Party make a loan to the Debtor (hereinafter called the "Loan"), to be evidenced by a promissory note to be issued by the Debtor (hereinafter called the "Note") payable to the order of the Secured Party. The proceeds of the Loan will be used by the Debtor to finance a portion of the purchase price of the units of railroad equipment described in Schedule A attached hereto, which will be utilized by the Debtor subject to the terms of this Agreement. In order to induce the Secured Party to make the Loan, the Debtor has agreed to secure to the extent hereinafter set forth (a) the payment in full of principal of and interest on the Note when and as the same shall become due and payable whether at the stated date for the payment or otherwise and (b) the due and punctual payment of all other monetary obligations of the Debtor to the Secured Party pursuant to the Note and this Agreement (such principal, interest and obligations being hereinafter called the "Obligations").

Accordingly, the Debtor and the Secured Party hereby agree as follows:

ARTICLE ONE

Grant of Security

SECTION 1.01. Grant of Security. The Debtor in consideration of the premises and of the sum of Ten Dollars (\$10) received by the Debtor from the Secured Party and other good and valuable consideration, the receipt and adequacy whereof is hereby acknowledged, and in order to secure the payment of the Obligations and the performance and observance of all covenants and conditions in the Note and in this Security Agreement contained, does hereby transfer, assign, grant, bargain, sell convey, hypothecate, and pledge to the Secured Party, its successors and assigns, a security interest in all right, title, interest, claims and demands of the Debtor which presently exist or which may hereafter arise, in, to and under the following (all of the properties in which the Secured Party is hereby granted a security interest being hereinafter called collectively the "Collateral"):

(a) the units of railroad equipment described in Schedule A attached hereto, together with (i) any and all accessories, equipment, parts and improvements now or at any time hereinafter attached or appertaining to such units, except such thereof as remain the property of the Lessee (as hereinafter defined) under the related Lease (as hereinafter defined); (ii) any and all substitutions, renewals and replacements for, and any additions, accessions and accumulations to, any and all of such units; and (iii) to the extent not included in the preceding clauses (i) and (ii), all rental, issues, income and profit from such

units (such units of railroad equipment, together with such accessories, equipment, parts, improvements, substitutions, replacements, additions, accessions and accumulations being hereinafter called collectively the "Equipment" and severally a "Unit of Equipment"); and

(b) (i) the Assignment of Lease Agreement (hereinafter called the "Assignment of Pillsbury Lease"), dated as of March 4, 1981, by and between Brae Corporation, a Delaware corporation (hereinafter called "Brae"), and the Debtor, (ii) the Lease Agreement (hereinafter called the "Pillsbury Lease"), dated December 30, 1980, by and between Brae and The Pillsbury Company (hereinafter called "Pillsbury"), subject to Pillsbury's rights thereunder, (iii) the Assignment of Lease Agreement (hereinafter called the "Assignment of BRMI Lease", and together with the Assignment of Pillsbury Lease, collectively called the "Assignment of Lease"), dated as of March 4, 1981, by and between Brae and the Debtor, (iv) the Lease Agreement (hereinafter called the "BRMI Lease" and together with the Pillsbury Lease, collectively called the "Lease"), dated December 29, 1980, by and between Brae and Brae Railcar Management, Inc., a California corporation (hereinafter called "BRMI" and together with Pillsbury, collectively called the "Lessee"), subject to BRMI's rights thereunder, (v) the letter of credit of Manufacturers Hanover Trust Company, dated December 17, 1980 in the original amount of \$1,087,500, and the letter of credit dated April 16, 1981 in the original amount of \$260,925.00, both in the form of attached Schedule B, and (vi) the Management Agreement (hereinafter called the "Management Agreement"), dated March 10, 1981, by and between Brae and the Debtor, including all extensions of the terms hereof, together with all rights, powers, privileges, options and other benefits of the Debtor under the Lease and the Management Agreement, including without limitation:

(A) the immediate and continuing right to receive and collect all rentals, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the Debtor under the Lease or the Management Agreement;

(B) the right to make all waivers and agreements and to enter into any amendments relating to the Lease or the Management Agreement or any provision thereof; and

(C) the right to take such action upon the occurrence of an Event of Default under the Lease or the Management Agreement, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease and the Management Agreement or by law, and to do any and all other things whatsoever which the Debtor or any lessor or owner, as the case may be, is or may be entitled to do under the Lease or the Management Agreement;

it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect; provided, however, that the Secured Party shall have the right to collect and receive all such rental and other sums for application only in accordance with the provisions of SECTIONS 3.01, 4.03 and 5.01 hereof at all times during the period from and after the date of this Agreement until the Obligations have been fully paid and discharged.

SECTION 1.02. Limitations to Security Interest. The security interest granted by this SECTION 1 is subject to (i) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is contested in good faith and does not, in the opinion of the Secured Party, threaten its security interest hereunder (hereinafter collectively called the "Permitted Encumbrances") and (ii) the rights of the Lessee under the Lease and (iii) provided no event of default has occurred and is continuing, the payments, if any, by Lessee under Section 13 of the Lease is excluded from the grant of the security interest hereunder.

SECTION 1.03. Duration of Security Interest. The security interest granted by the Debtor in and to the Collateral shall remain in effect at all times until the Debtor shall pay or cause to be paid all the Obligations and shall observe and perform all the terms, conditions and agreements contained in this Agreement and the Note.

ARTICLE TWO

Representations, Warranties and Covenants

SECTION 2.01. Representations and Warranties. The Debtor represents and warrants to the Secured Party that:

(a) (i) the Debtor is the record and beneficial owner of all right, title and interest in the Collateral free and clear of all liens, charges and encumbrances (excepting only the Permitted Encumbrances), (ii) the Debtor has full right and power to grant a security interest in the Collateral to the Secured Party free of any contractual provision binding on the Debtor or his assets, and

(iii) without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed or permitted to be filed or recorded covering any of the Collateral (except (A) the financing statements or other instruments filed or to be filed in respect of the security interest provided herein and (B) the filing of the Lease, the Management Agreement and the Assignment of Lease with the Interstate Commerce Commission);

(b) the Debtor is a limited partnership, duly organized, validly existing and in good standing in the State of California;

(c) the execution, delivery and performances by the Debtor of this Agreement and all documents and instruments contemplated to be executed, delivered and performed by Debtor thereunder (collectively, the "Loan Documents") have been duly authorized by all necessary action on the part of the Debtor and are not inconsistent with the Debtor's Agreement or Certificate of Limited Partnership, do not contravene any law or governmental rule, regulation or order applicable to it, do not and will not contravene any provision of, or constitute a default under any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and the Loan Documents constitute the legal, valid and binding agreements of the Debtor, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting the rights of creditors generally;

(d) no consent or approval of, giving of notice, to, registration with,

or taking of any other action in respect of, any Federal, state or other governmental authority or agency is required with respect to the execution, delivery and performance by the Debtor of the Loan Documents or, if any such approval, notice or registration or action is required, it has been obtained; and

(e) there are no actions, suits or proceedings pending or threatened against or affecting the Debtor in any court or before any governmental commission, board or authority which, if adversely determined, will have a material adverse effect on the ability of the Debtor to perform its obligations under the Loan Documents.

SECTION 2.02. Covenants. The Debtor unconditionally covenants and agrees with the Secured Party as follows:

(a) the Debtor will promptly cause this Security Agreement and each supplement or amendment hereto to be duly filed and recorded with the Interstate Commerce Commission in accordance with Section 11303(a) of The Interstate Commerce Act. The Debtor will do, execute, acknowledge, deliver, file, register and record all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the better assuring, conveying, assigning and confirming unto the Secured Party all of the Collateral or property intended so to be, whether now owned or hereafter acquired;

(b) the Debtor shall not encumber or grant a security interest in or file a financing statement covering the Collateral, or permit any of the foregoing,

without the prior written consent of the Secured Party except as required hereunder;

(c) the Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances reasonably necessary or proper for the perfection of the security interest in the Collateral herein provided for;

(d) the Debtor will not sell, mortgage, transfer or assign (other than to the Secured Party hereunder) its interest in the Collateral or in any part thereof or in any amount to be received by it from the use or disposition of the Equipment or with respect to the Collateral;

(e) the Debtor will cause the Equipment and each and every part thereof to be maintained, preserved and kept in safe and good repair, working order and condition, ordinary wear and tear expected, and will from time to time make or cause to be made all necessary and proper repairs, renewals, and replacements so that the value and efficiency of such property shall not be impaired, ordinary wear and tear expected;

(f) the Debtor will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges lawfully imposed upon or against the Collateral or any part thereof, and will not suffer to exist any mechanics', laborers', statutory or other lien on the Collateral or any part thereof; provided, however, that nothing herein contained shall be

deemed to require the Debtor to pay any tax, assessment, charge or lien, or any claim or demand of mechanics, laborers or others, prior to the due date thereof, or to require the Debtor to pay or discharge any tax, assessment, lien, claim or charge (whether or not due or delinquent), the validity or amount of which is being contested in good faith by appropriate proceedings and which has been adequately reserved against; provided, however, that the Debtor will pay or discharge such tax, assessment, lien, claim or charge if seizure of the Collateral is imminent or if the security interest granted hereunder is threatened in the opinion of the Secured Party;

(g) the Debtor will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease or the Management Agreement if any officer of the managing general partner of the Debtor has actual knowledge of such event or condition;

(h) the Debtor will at its own expense duly comply with and perform all covenants and obligations of the Debtor under the Lease and the Management Agreement and will at its own expense seek to cause (i) the Lessee to comply with and observe all the terms and conditions of the Lease and (ii) Brae to comply with and observe all the terms and conditions of the Management Agreement and, without limiting the foregoing, at the request of the Secured Party, the Debtor will at its own expense take such action with respect to the enforcement of (A) the Lease, and the duties and obligations of the Lessee thereunder or (B) the Management Agreement, and the duties and obligations of Brae thereunder, as the Secured Party may from time to time reasonably direct;

(i) the Debtor will permit the Secured Party to examine its books and records with respect to the Collateral during regular business hours upon reasonable notice to the Debtor;

(j) the Debtor shall not change, or permit to be changed, the identifying letters and numbers of the Equipment from such indentifying letters and numbers set forth in Schedule A hereto, except in accordance with a statement of new numbers to be substituted therefor which previously shall have been delivered to the Secured Party and which shall be filed and recorded by the Debtor in like manner as this Agreement;

(k) the Debtor will at all times prior to the return of the Equipment to the Secured Party, at its own expense, cause to be carried and maintained public liability insurance with respect to third party personal injury and property damage and property insurance in respect of the Equipment at the time subject hereto. The Debtor will carry such insurance in such amounts (in the case of public liability insurance, not less than \$25,000,000 for any one occurrence), for such risks, with such deductibles and with such insurance companies, satisfactory to the Secured Party and, in any event, consistent with prudent industry practice and at least comparable in amounts and against risks customarily insured against by the Debtor in respect of equipment owned or leased by it similar in nature to the Equipment. The proceeds of any such insurance shall be payable to the Secured Party so long as the Obligations, if any, shall not have been paid in full and such proceeds shall be applied and disbursed in accordance with ARTICLE FIVE

hereof. Any policies of insurance carried in accordance with this paragraph shall require thirty (30) days' prior written notice of cancellation or material change in coverage to the Secured Party, and not be a part of an umbrella policy containing any aggregate coverage limitations. On the date hereof the Debtor has delivered to the Secured Party certificates issued by the insurer(s) for the insurance required to be maintained pursuant to this SECTION (k), the receipt and sufficiency of which are hereby acknowledged by the Secured Party. The Debtor shall promptly deliver to the Secured Party certificates issued by the insurer(s) for any insurance hereafter obtained in renewal of or in substitution for the insurance policies referred to in such certificates.

ARTICLE THREE

APPLICATION OF PROCEEDS

SECTION 3.01. Application of Proceeds. The Secured Party shall be entitled to collect, receive and retain, when due, all sums due under or on account of the Collateral, including, without limitation, all rent due under the Lease. Unless and until an Event of Default has occurred or is continuing, all such sums received by the Secured Party shall be disbursed and applied by the Secured Party as follows and in accordance with the following priorities:

(a) all monthly rent received by the Secured Party under the Lease:

(i) first, to the Secured Party an amount equal to the installment payment due under the Note during such month, which

amount shall be applied by the Secured Party in payment of such installment payment; and

(ii) second, the balance, if any, shall be promptly (but in any event within three (3) business days after the receipt by the Secured Party of good funds in respect of such rental proceeds) disbursed to the Debtor or such other person as the Debtor shall designate by written notice to the Secured Party.

(b) all other sums received by the Secured Party under or on account of the Collateral:

(i) first, for the purposes for which such sums were paid pursuant to the provisions of the documents which comprise the Collateral (including, without limitation, payment thereof to the Debtor if any such sums are paid to reimburse or indemnify the Debtor as provided in the Collateral); and

(ii) second, the balance if any, shall be promptly (but in any event within three (3) business days after the receipt by the Secured Party of good funds in respect of such sums) disbursed to the Debtor or such other person as the Debtor shall designate by written notice to the Secured Party.

ARTICLE FOUR

Events of Default; Remedies

SECTION 4.01. Events of Default. The happening of any of the following events (hereinafter called "Events of Default") shall constitute default hereunder:

(a) if, any amount due under the Note (whether at the stated date for the payment thereof, by acceleration or by notice of prepayment or otherwise) shall remain unpaid for the lesser of (i) five (5) business days after receipt by the Debtor of written notice that such sum is overdue or (ii) fifteen (15) days after the due date thereof;

(b) any representation or warranty made herein or in any certificate delivered in connection herewith shall prove to be false or misleading in a manner that causes a material adverse effect on the Collateral or the Secured Party's interest therein;

(c) default shall be made in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor pursuant to the terms hereof and (i) such default shall not be cured within thirty (30) days after the Debtor's receipt of written notice thereof from the Secured Party or (ii) the Debtor has not commenced and proceeded diligently to cure such default within thirty (30) days after the Debtor's receipt of written notice thereof from the Secured Party, provided, that, in no event shall this clause (ii) prevent an Event of Default for more than forty-five (45) days after the Debtor's receipt of written notice of such default;

(d) the Debtor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of his property, (ii) admit in writing his

inability to pay his debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law or if action shall be taken by the Debtor for the purpose of effecting any of the foregoing;

(e) an order, judgment or decree shall be entered, without the application, approval or consent of the Debtor by any court of competent jurisdiction, appointing a receiver, trustee or liquidator of the Debtor and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(f) subject to paragraph (g) below, the Lessee shall fail to satisfy, perform or observe any of its liabilities, obligations or undertakings under the Lease (other than certain rent obligations described in paragraph (g) below) and such failure shall continue for thirty (30) days after receipt by the Debtor of written notice thereof sent by the Debtor to the Lessee or by the Secured Party to the Debtor and the Lessee;

(g) the Lessee shall default in its rent obligations under the Lease, other than those rent obligations referred to in Paragraph 3 of Exhibit A to the Lease, and such defaults shall continue for the lesser of (i) five (5) days after receipt by the Lessee of written notice that such sum is overdue or (ii) fifteen (15) days after the due date thereof; or

If an Event of Default shall occur, the Secured Party may, by notice

in writing delivered to the Debtor, declare the unpaid principal of the Note to be due and payable, and thereupon the same, together with accrued interest thereon, shall become and be immediately due and payable.

SECTION 4.02. Remedies. In case of the happening of any Event of Default, the Secured Party may, subject always to the then existing rights, if any, of the Lessee under the Lease, personally or by its agent enter upon the premises of the Debtor (or other party having or acquiring the possession or use of the Equipment) where any of the Equipment may be and take possession of all or any part of the Equipment and withdraw the same from said premises, retaining all payments which up to that time may have been made on account of rental for the Equipment and otherwise, and shall be entitled to collect, receive and retain all unpaid rental and other charges of any kind earned by the Equipment, and may lease or otherwise contract for use of any of the Equipment; or the Secured Party may, subject always to the then existing rights, if any, of the Lessee under the Lease, with or without retaking possession, sell any of the Equipment, by Bill of Sale executed pursuant to SECTION 6.01 hereof, free from any and all claims of the Debtor at law or in equity, in one lot and as an entirety or in separate lots, at public or private sale for cash or upon credit in the discretion of the Secured Party, and may proceed otherwise to enforce its rights, all subject to any mandatory requirements of law applicable thereto. Upon any such sale, the Secured Party may itself bid for the property offered for sale or any part thereof. Any such sale may be held or conducted at such place and at such time as the Secured Party may specify, or as may be required by law, and without gathering at the place of sale the Equipment to be

sold, and in general in such manner as the Secured Party may determine.

In case of the happening of an Event of Default, the Secured Party also may, subject always to the then existing rights, if any, of the Lessee under the Lease, proceed to exercise in respect of the Lease and the property covered thereby and the duties, obligations and liabilities of the Lessee thereunder, all rights, privileges and remedies in the said Lease or by applicable law permitted or provided to be exercised by the Debtor, including, but not limited to, the right to receive and collect all rent and other moneys due or to become due thereunder and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party. The Secured Party may sell the rentals reserved under the Lease, and all right, title and interest of the Secured Party with respect thereto, at public auction to the highest bidder and either for cash or on credit, the Secured Party to give the Debtor prior written notice of the time and place of holding any such sale, and provided always that the Secured Party shall also comply with any applicable mandatory legal requirements in connection with such sale.

Any sale or sales pursuant to the provisions hereof, whether under the power of sale granted hereby or pursuant to any legal proceedings, shall operate to divest the Debtor of all right, title, interest, claim and demand whatsoever, either at law or in equity, of, in and to the Collateral so sold, and shall be free and clear of any and all rights of redemption by, through or under the Debtor, (subject always to the then existing rights, if any, of the Lessee under the Lease), the Debtor hereby covenanting and agreeing that it will not at any time

insist upon or plead, or take the benefit or advantage of or from, any law now or hereafter in force providing for a valuation or appraisal of the Collateral prior to any sale or sales thereof or providing for any right to redeem the Collateral or any part thereof. The receipt by the Secured Party, or by any person authorized under any judicial proceeding to make any such sale, shall be a sufficient discharge to any purchaser of the Collateral, or of any part thereof, sold as aforesaid; and no such purchaser shall be bound to inquire as to the authorization, necessity or propriety of any such sale. In the event at any such sale the holder of the Note is the successful purchaser, such holder of said Note shall be entitled, for the purpose of making settlement or payment, to use and apply said Note by crediting thereon the amount apportionable and applicable thereto out of the net proceeds of such sale.

SECTION 4.03. Application of Proceeds. If the Secured Party shall exercise any of the powers conferred upon it by SECTIONS 4.01 and 4.02 hereof, all payments made by the Debtor to the Secured Party, and the proceeds of every sale or lease by the Secured Party of all or any of the Collateral, together with any other sums which may then be held by the Secured Party under any of the provisions hereof, shall be applied by the Secured Party to the payment in the following order of priority: (a) of all proper charges, expenses or advances made or incurred by the Secured Party in accordance with the provisions of this Agreement, including, without limitation, all reasonable expenses incurred on an Event of Default, (b) of the interest then due and of the principal of the Note, whether or not the Note shall have matured by its terms, all such payments to be in full if such proceeds shall be sufficient, and if not sufficient, then, first to

interest and the balance, if any, to principal, and (c) of amounts, if any, due to the Secured Party pursuant to SECTION 4.04 hereof. In the event that, after applying all such sums of money realized by the Secured Party as aforesaid, there shall remain a surplus in the possession of the Secured Party, such surplus shall be paid to the Debtor.

SECTION 4.04. Obligations Not Affected by Remedies. No retaking of possession of the Equipment by the Secured Party, or any withdrawal, lease or sale thereof, nor any action or failure or omission to act against the Debtor or in respect of the Collateral or any part thereof on the part of the Secured Party, nor any delay or indulgence granted to the Debtor by the Secured Party, shall affect the obligations of the Debtor hereunder or under the Note.

SECTION 4.05. Remedies Cumulative; - Subject to Mandatory Requirements of Law. The remedies in this Agreement provided in favor of the Secured Party shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity; and such remedies so provided in this Agreement shall be subject in all respects to any mandatory requirements of law at the time applicable thereto, to the extent such requirements may not be waived on the part of the Debtor.

ARTICLE FIVE

Application of Insurance Proceeds

SECTION 5.01. Insurance Proceeds. Any amounts received by the

Secured Party from time to time which constitute proceeds of casualty insurance maintained in respect of the Equipment shall be held by the Secured Party as part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(a) so long as no Event of Default has occurred and is continuing, the proceeds of such insurance (other than proceeds in respect of an actual or constructive total loss of one or more Units of Equipment) shall, if the Unit of Equipment is to be repaired, be released to the Debtor in reimbursement for expenditures made for such repair, upon receipt by the Secured Party of a certificate of an authorized officer of the Debtor to the effect that any damage to such Unit of Equipment in respect of which such proceeds were paid has been fully repaired; and

(b) if the insurance proceeds subject to application under paragraph (a) above shall not have been released pursuant to the preceding subsection (a) within 180 days from the receipt thereof by the Secured Party, then so long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, such insurance proceeds shall be applied by the Secured Party as follows:

(i) first, all of such insurance proceeds up to a maximum amount equal to (A) the outstanding principal amount of the Note on the date of such application, divided by (B) the number of Units of Equipment subject to this Agreement on the date of such application, to the prepayment of the Note, together with accrued interest on the principal amount so prepaid. Each of the remaining installments, if any, of the Note shall be reduced in the proportion that the prepayment bears to the unpaid principal amount of the Note immediately prior to the prepayment; and

(ii) second, the balance, if any, after making the application provided for by the preceding clause (i) shall be released to or upon the order of the Debtor on the date of such prepayment of the Note.

(c) Without regard to whether or not an Event of Default has occurred and is continuing, the proceeds of such insurance in respect of an actual or constructive total loss of any Unit of Equipment shall be applied by the Secured Party as follows:

(i) first, to the payment of an amount equal to the accrued and unpaid interest on that portion of the Note to be prepaid pursuant to the next succeeding clause;

(ii) second, with respect to each Unit of Equipment, an amount equal to the Loan Value (as hereinafter defined) of such Unit of Equipment for which settlement is then being made shall be applied to the prepayment of the Note so that each of the remaining installments of the Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Note immediately prior to the prepayment; and

(iii) third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding clauses (i) and (ii) shall be released to or upon the order of the Debtor on the date of payment of the amounts provided for in the preceding clauses (i) and (ii).

The term "Loan Value" in respect of any Unit of Equipment shall mean an amount equal to a fraction, the numerator of which is the unpaid principal amount of the Note immediately prior to the prepayment provided for in this SECTION 5.01(c) (after giving effect to the payment of any installment of

principal made or to be made on the date of prepayment provided for in this SECTION 5.01(c)), and the denominator of which is the number of Units of Equipment then subject to this Agreement (including such Unit(s) of Equipment for which settlement is then being made).

ARTICLE SIX

Miscellaneous

SECTION 6.01. Power of Attorney. The Debtor hereby constitutes and appoints the Secured Party the attorney-in-fact of the Debtor with full power of substitution for the purposes of carrying out the provisions of this Agreement and in its name, place and stead to ask, demand, collect, receive, sue for and give acquittance for any and all rents, income and other sums which are assigned hereunder with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and in the discretion of the Secured Party to file any claim or take any other action, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums of the security intended to be afforded hereby including, without limitation, in the Event of Default by the Debtor and the exercise by the Secured Party of its remedies pursuant to ARTICLE FOUR hereof, to execute a Bill of Sale with respect to any or all of the Equipment on behalf and in the name of the Debtor.

SECTION 6.02. Successors and Assigns. Whenever in this Agreement the

Secured Party is referred to, such reference shall be deemed to include the successors and assigns of the Secured Party. All warranties, covenants and agreements by or on behalf of the Debtor which are contained in this Agreement and the Note shall inure to the benefit of the successors and assigns of the Secured Party.

SECTION 6.03. Modification, Amendment or Waiver. No modification, amendment or waiver of any provision of this Agreement, or consent to any departure by the Debtor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party. No notice to or demand on the Debtor in any case shall entitle it to any other or further notice or demand in the same, similar or other circumstances. Neither any failure nor any delay on the part of the Secured Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise or the exercise of any other right, power or privilege.

SECTION 6.04. Severability. In the event any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SECTION 6.05. Notices. All demands, notices and communications hereunder shall be in writing and shall conclusively be deemed to have been received by a party hereto and to be effective on the day on which delivered to

such party at its address set forth below (or at such other address as such party specifies to the other party by a notice in accordance with the terms hereof), or, if sent by registered mail, on the third business day after the date on which mailed, addressed to such party at such address:

(a) If to the Debtor, at his address set forth next to his signature at the foot of this Agreement and marked to the attention of Stephen A. Mintz, Vice President; and

(b) If to the Secured Party, at its address at 55 Water Street, Suite 1822, Attention: Manager, Specialized Leasing, New York, New York 10087.

SECTION 6.06. Effect of Headings. The ARTICLE and SECTION headings herein are for convenience only and shall not affect the construction hereof.

SECTION 6.07. Applicable Law. This Security Agreement shall be construed in accordance with and be governed by the laws of the State of New York.

SECTION 5.08. Limitation of Liability. Notwithstanding anything to the contrary contained in this Agreement or the Note, or any certificate, opinion or document of any nature whatsoever executed in connection herewith or therewith, the obligations of the Debtor hereunder and under the Note are limited recourse obligations; neither the Secured Party, nor the holder of the Note, nor the successor or assigns of any of said persons, shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor in its individual

capacity, or against any assets of the Debtor other than the Collateral and any equipment owned or to be owned by the Debtor (subject, however, to the rights of the related lessee), or against any partner (general or limited), officer, director, shareholder, agent or employee of the Debtor or of any partner (general or limited) of the Debtor for the payment of any deficiency or any other sum owing on account of the Obligations or any part thereof or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever, from any source other than the Collateral and any equipment owned or to be owned by the Debtor (subject, however, to the rights of the related lessee); and the Secured Party by the execution of this Agreement and the holder(s) of the Note by acceptance thereof waive and release any personal liability of the Debtor in its individual capacity and any partner (general or limited), officer, director, shareholder, agent or employee of the Debtor or of any partner (general or limited) of the Debtor for and on account of such Obligations; and the Secured Party and the holder(s) of the Note agree to look solely to the Collateral and any equipment owned or to be owned by the Debtor (subject, however, to the rights of the related lessee), including the sums due and to become due under the Lease which are the subject thereof, for the payment or satisfaction of said Obligations; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party to accelerate the maturity of the Note upon a default under this Agreement; to bring suit and obtain a judgment against the Debtor on the Note (provided, that neither the Debtor in its individual capacity nor any partner (general or limited), officer, director, shareholder, agent or employee of the Debtor or any partner (general or limited), of the Debtor shall have any personal liability on any such

judgment and the satisfaction thereof shall be limited to the Collateral and any equipment owned or to be owned by the Debtor (subject, however, to the rights of the related lessee) and the sums due and to become due under the Lease which are the subject thereof, including any interest therein of the Debtor; or to foreclose the lien of this Agreement or otherwise realize upon the Collateral and any equipment owned or to be owned by the Debtor (subject, however, to the rights of the related lessee), including the right to proceed against the Lessee under the Lease upon the occurrence of an Event of Default thereunder.

IN WITNESS WHEREOF, the Debtor and the Secured Party
have duly executed this Security Agreement, on the day and year
first above written.

AMERICAN LEASING INVESTORS II

c/o Integrated Resources, Inc.
666 Third Avenue
New York, New York 10017

By: ALI Second Management
Services Corp.,
General Partner

By: 

Its: Exec. V.P.

CHEMICAL BUSINESS CREDIT CORP.

By: 

Its: Asst. Mgr.

SCHEDULE A

<u>Number of Units of Equipment</u>	<u>Road Numbers</u>	<u>Equipment Description</u>
15	260393	100 ton, 4750 cubic
	260394	foot, covered Hopper
	260395	cars
	260391	
	260396	
	260398	
	260399	
	260400	
	260401	
	260403	
	260404	
	260406	
	260407	
	260408	
	260409	

STATE OF)
 : SS.:
COUNTY OF)

On this day of , 1981, before me
personally appeared D. J. CENATIEMPO, to me personally

known, who, being by me duly sworn, says that he is a

Asst. Mgr.

_____ of Chemical Business Credit Corp.,
that the seal affixed to the foregoing instrument is the
corporate seal of said corporation, that said instrument
was signed and sealed on behalf of said corporation by
authority of its Board of Directors and he acknowledged that
the execution of the foregoing was the free act and deed of
said corporation.

Kathleen M. Wells

Notary Public

My Commission expires:

KATHLEEN M. WELLS
Notary Public State of New York
No. 31-4516764
Qualified in New York County
Commission Expires March 30, 1983

(Notarial Seal)

STATE OF New York)

) ss.:

COUNTY OF New York)

On this day of , 1981, before me personally appeared Stephen A. Mintz, to me personally known, who, being by me duly sworn, says that he is an Exec. V.P. of ALI SECOND MANAGEMENT SERVICES CORP., which corporation is a General Partner of AMERICAN LEASING INVESTORS II, that said instrument was signed on behalf of said partnership by authority of the Board of Directors of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Valerie A. Myers
Notary Public

VALERIE A. MYERS
Notary Public, State of New York
No. 52-4688452
Qualified in Suffolk County
Commission Expires March 30, 19

My Commission expires:

(Notarial Seal)